

News Release



Controller of the State of California - Kathleen Connell

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FOR IMMEDIATE RELEASE

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STATE CONTROLLER UNCOVERS MASSIVE MEDI-CAL OVERPAYMENTS TO ELEVEN PHARMACIES

LONG BEACH, June 20--State Controller Kathleen Connell has uncovered substantially inflated claims to Medi-Cal from a group of pharmacies in Long Beach, raising serious concerns about payments in the state's Medi-Cal pharmacy program. Auditors from the State Controller's Office (SCO) discovered the inflated billings, averaging 75 percent, during a review of 11 of the 14 pharmacies.

"I believe that most pharmacy providers in California are completely above-board. But even if only a fraction of them are submitting inflated claims to Medi-Cal, it still would amount to a huge sum of money," Connell said. "Every dollar we overpay is a dollar we can't spend to provide care to Californians who really need it."

"The \$2 million in overpayments we found in Long Beach has serious implications statewide," Connell said, noting that Medi-Cal paid out \$1.2 billion to approximately 5,500 pharmacies statewide in the 1994-95 fiscal year.

"The fact that the first group of pharmacies we reviewed would turn out to have such a high level of improper billings is a wake-up call we need to answer," Connell said in releasing her report of the SCO's findings. "If this is indicative of billing practices elsewhere in our state, the numbers could be significant."

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LONG BEACH PHARMACIES

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The pharmacies the SCO reviewed were selected based on their high rate of billing and high rate of rejection in the Medi-Cal claims review process. In addition, Connell said, her auditors' attention was drawn to the fact that all of these pharmacies were clustered in a small area.

Connell said that one of the strangest, and most disturbing, findings was disclosed by the pharmacy owners themselves. She said: "Several owners told the auditors that the reason they could not provide purchase records for many of the drugs they claimed to have dispensed was that they purchased them from someone driving a white van, who required cash payments and would not provide receipts. Even if that occurred, it's against California regulations to buy pharmaceutical products from a non-pharmaceutical wholesaler."

Connell's office has stopped payments to the 11 pharmacies covered by the SCO review. She also has sent letters to the providers demanding return of the \$2 million in overpayments and has referred the matter to the Attorney General and the State Board of Pharmacy for possible further action.

Connell issued an audit report in March on the Medi-Cal program in general in which she raised concerns about the potential for overbilling by non-hospital-based health care providers, including pharmacies. The March report found that the Department of Health Services (DHS), which administers Medi-Cal, performed very little analytical review of claims by pharmacies.

"This review is an opportunity to demonstrate to DHS the effectiveness of fiscal monitoring in reducing suspect billing," said Connell. "Hopefully, DHS will improve the fiscal controls itself or engage SCO to conduct similar audit efforts in other areas of the state."

Copies of the State Controller's report are available by calling Lynelle Jolley, 310-342-5678.